



## Individual Retirement Accounts Qualified Charitable Distribution (QCD)

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### Qualified Charitable Distribution (QCD)

In general, distributions from a traditional IRA are taxable in the year received. However, a qualified charitable distribution (QCD) is generally a nontaxable distribution made directly by the trustee of your traditional IRA (other than a SEP or SIMPLE IRA) to an eligible charitable organization. If all of the qualifications are met, a QCD is nontaxable and you cannot claim a charitable contribution deduction for it. Taking a QCD can help lower taxable income.

### Qualifications and Rules

Certain qualifications must be met:

- You must be at least age 70½ when the distribution is made.
- The maximum annual exclusion for QCDs is \$100,000 per taxpayer. Any QCD in excess of the \$100,000 exclusion limit is included in income as any other distribution. If you file a joint return, your spouse can also have a QCD and exclude up to \$100,000.
- Beginning 2023, a one-time QCD up to \$50,000 may be made to a split-interest entity (charitable gift annuity, charitable remainder trust, and charitable remainder annuity trust).
- The amount of the QCD is reduced by the aggregate IRA contribution deductions taken by you after you turned 70½.
- A QCD may be used to satisfy all or part of your required minimum distribution (RMD) but is not limited to the RMD amount.
- You must have the same type of acknowledgment of your contribution that you would need to claim a deduction for a charitable contribution.

- A charitable contribution deduction on Schedule A (Form 1040), *Itemized Deductions*, cannot be claimed for any QCD excluded from income.
- The QCD amount is limited to the amount of the IRA distribution that would otherwise be included in income. If your IRA includes nondeductible contributions, the distribution is first considered to be paid out of otherwise taxable income.
- The QCD cannot be distributed to you first and then donated, it must be transferred directly to the charity. Any check issued must be made payable to the charity. If you have check-writing privileges for an IRA, you may be able to write out a check to the charity. Check with your IRA trustee for the proper QCD procedure.

**QCD versus direct contribution to a charity.** You can make a charitable contribution to a qualified charity through a QCD or by withdrawing funds from an IRA and then donating the funds directly to the charity. In either case, the distribution from the IRA counts toward meeting the RMD. By withdrawing funds from the IRA and making the contribution direct to the charity, you may increase your AGI and your taxable income. See *Increase in AGI*, later.

**Example:** Janet is single, age 73, and wants to contribute \$5,000 to a qualified charity using funds from her IRA. She considers the following two options:

Qualified charitable distribution. Janet could make the \$5,000 contribution through a QCD by instructing the IRA custodian to send the charity \$5,000 directly from her IRA. The QCD does not increase her AGI (or count as income when determining the taxability of her Social Security benefits), but she is not able to claim a charitable contribution deduction for it.

Withdraw-then-donate. Alternatively, she can withdraw \$5,000 from her IRA, deposit the funds into her bank account, and then directly make the contribution to the charity. The \$5,000 distribution